

POLICY STATEMENT ON MATERIALITY AND DEALING WITH RELATED PARTIES

1. Scope

The Board of Directors of Phillips Carbon Black Limited (PCBL) (referred to hereinafter as “ the Board” and PCBL referred to as “ the Company”) has adopted this policy relating to Related Party Transactions as defined herein. The amended clause 49 of SEBI Regulations (‘RC 49’) deals with Corporate Governance aspects including related party transactions. This statement addresses requirements concerning identification of related parties, related party transactions, approval process and disclosure. Further, as per RC 49 every listed company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

This Policy on Related Party Transactions (as defined below) has been adopted by the Company’s Board in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The Board has determined that the Audit Committee (the “Committee”) is best suited to review all Related Party Transactions.

2. Definitions

‘Act’ means Companies Act, 2013.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Act. .

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Act, and includes

- (i) Managing Director,
- (ii) Company Secretary and
- (iii) Chief Financial Officer

Materiality of Transaction: A transaction with a related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Related Party Transaction: A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract

Related Party: For the purpose of Clause 49 (VII) -

An entity shall be considered as related to the Company, if:

- (i) such entity is a related party under Section 2(76) of the Act, or
- (ii) such entity is a related party under the applicable accounting standard published by the Institute of Chartered Accountants of India.

3. Procedure

- a) Identification of Related Parties- Each director and Key Managerial Personnel shall , at the beginning of a financial year , disclose to the Company Secretary of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable. Based on above and where applicable, based on other information, the management shall prepare and present before the Audit Committee a list of Related Parties. This list will be updated on an ongoing basis to reflect changes, if any.

The Company prefers to receive such notice of any potential related party transaction well in advance so that Audit Committee has adequate time to obtain and review information about the proposed transaction.

b) Approval of Related Party Transactions by Audit Committee-

- All transactions (including proposed transactions) with Related Parties shall be identified by the management and presented to the Committee. The Committee shall evaluate and in consultation with the management and, where necessary with outside counsel, determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- The Committee shall be provided with the material facts of all new, existing or proposed Related Party Transactions.
- In assessing a Related Party Transaction or a proposed Related Party Transactions, the Committee shall consider all relevant factors as it deems appropriate and may approve or authorize any subsequent modification of the transaction of the Company with the Related Party.

c) Omnibus Approval of Related Party Transactions by Audit Committee-

- The Audit Committee may, in the interest of smooth conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to the following conditions:
 - i. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

ii. The indicative base price / current contracted price and the formula for variation in the price, if any; and

iii. Such other conditions as the Audit Committee may deem fit.

- The Audit Committee may also, in the interest of smooth conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.
- The Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

d) Approval of Related Party Transactions by shareholders-

- All material Related Party Transactions shall be approved by the shareholders through an appropriate resolution and all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.

e) In the event any contract or arrangement with a related party is not in the ordinary course of business other than transactions which are not on an arm's length basis, the Company shall comply with the provisions of the Act and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

4. **Materiality of Transaction:**

In relation to all material transactions, following procedure shall be followed:

- The Committee shall be responsible to verify materiality threshold (as defined in clause 2) of the Company in the meeting where annual consolidated financial statements of the Company are adopted. Such threshold would be relevant for identifying material transactions entered / proposed to be entered with a related party in next year.
- The Committee shall verify the potential Related Party Transactions that may exceed the materiality threshold for a particular financial year on a progressive basis.

- The Committee shall review the material related party transactions as per the procedure laid down in clause 3 above.
- The Committee shall place the material related party transactions before the shareholders for their approval.

However, the Committee or Shareholder's approval is not required for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

5. Pre-approved Transactions

The following types of transactions will be deemed to be pre-approved by the Committee; will not be reviewed by the Committee and do not require approval or ratification:

- (i) Director's Appointment and Compensation: Any employment by the Company of, or compensation paid to the directors or to the key managerial personnel;
- (ii) Continuing Related Party Transactions: All continuing Related Party Transactions which have been approved by the Committee and Shareholders shall not be placed for approval again, unless there is any modification in the terms and conditions or the pricing policy.

6. Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

7. Disclosures

Details of any Material Related Party Transactions shall be disclosed to the stock exchange quarterly along with the compliance report on corporate governance.

The Company shall disclose the Policy on dealing with Related party Transactions on its website and a web-link shall be provided in the Annual Report.

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.

8. Scope Limitation

In the event of any conflict between of this Policy and of the Listing Agreements Act, or any statutory enactments, rules, the provisions of such Listing Agreement Act, or statutory enactments, rules shall prevail over this Policy.